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through the inferno of the industrial revolution guided by the spirit of social reform.

In spite of its faults, this book deserves a place in every library. All will read it with interest; many with profit. No student can afford to ignore it.

N. S. B. GRAS.

CLARK COLLEGE
WORCESTER, MASS.

A THEORY OF INTEREST¹

THE author's solicitude lest mistaken ideas of interest may lead to mischievous legislation and ultimately to the undermining of the economic foundations of civilization is a sufficient excuse for this book. The problem of interest is the crux of almost every program of fundamental social reform. If interest is a payment which is necessary to induce a sufficient number of men to perform a necessary economic function, and to perform it as well as it needs to be performed, there is no justification for socialism or socialists. If it is not necessary to the securing of that result, there is no excuse for anything but socialism or for any but socialists. It is not likely, therefore, that too much attention will ever be paid to the interest problem, or that too many really serious books will be written upon it.

Whatever the author may call himself, it is pretty clear that he belongs to the equilibrism school of theorists. He brings his theory of interest under the theory of normal price, which is essentially a theory of the equilibrium of supply and demand. A normal price is one which will induce sellers to sell as much as buyers are willing to buy and no more. The function of price is therefore not simply to induce production, for some production would take place even if there were no price to be secured. Trout are sometimes given away by strenuous fishermen, flowers by zealous gardeners, and eggs

¹ By Clarence Gilbert Hoag, A M. New York, The Macmillan Company, 1914.

by enthusiastic poultrymen. But in order to induce a larger supply than would be produced for other reasons a price is ordinarily offered for these things. The function of price is, therefore, to induce a sufficient supply to balance the demand. Interest, as the price which is paid for whatever it is that the capitalist does, has as its peculiar function the inducing of a sufficient quantity of that service or whatever it is. If there were enough capital, or enough of whatever it is for which the capitalist is paid, there would be no price paid for it. So long as there is less of it than is demanded, interest will have to be paid in order to induce more of it, or to increase the supply sufficiently to balance the effective demand.

But what is it that the capitalist does? The author does not call it a service but rather "the postponement of the consumption of a good or a service" (p. 47). "It is to be noticed that what is really advanced in any case is earlier services for later services" (p. 51). It occurs to the reviewer that it may be a service to exchange an earlier for a later service.

So far as the essential features of the author's theory are concerned they do not differ from those of any of a dozen or so of the recent writers on that subject. The differences are sometimes verbal and sometimes material, but even the material differences are of minor importance. No sound writer doubts that capital is a good thing for the individual or for society to have, tho some, including our author, forbid the use of the word "productive" to describe that fact. No one doubts that saving, or the postponement of consumption, if carried far enough, may occasion some sacrifice, tho some, not including our author, deny that this has any connection with the question of interest.

The author shows that he has read widely in recent writings on interest, but in some cases he does not show the least comprehension of what the writers were driving at, and in others he misses some of their most important points. So far as his own theory is concerned it seems sound and well reasoned. His illustrations are generally new and original. Herein lies, in the opinion of the reviewer, the chief merit of

the book. The theory of interest is, in spite of all efforts at simplification, a difficult subject. It is important that it be expounded in every possible way and that a great many ingenious illustrations be used to make it clear. So long as it remains a well reasoned philosophy, we are not likely to have too many books on the subject, nor too many new methods of exposition tried out.

T. N. CARVER.

HARVARD UNIVERSITY.

BARKER'S PUBLIC UTILITY RATES

ECONOMISTS and engineers have been so absorbed with the question of the valuation of public utility properties, that they have failed to give to the problem of making specific rates (with the possible exception of railroad rates) the attention which it properly deserves. Therefore Barker's "Public Utility Rates" ¹ is a welcome addition to the literature on public utilities, for it directs its attention primarily to the formulation of specific rate schedules for each of the various utilities.

The author presents a broad survey of the problem of rates for the various utility services, free from the obscuring details and variations which arise in individual cases. An "attempt has been made to keep the pages understandable to men not technically trained" — an attempt in which Mr. Barker has succeeded fairly well. In order to accomplish this purpose, those chapters which deal with the rates of a particular utility open with a review of its history, growth, and development, which is followed by a brief description of the technology of the industry. These sections are particularly valuable, because they present in brief compass those his-

¹ *Public Utility Rates, A Discussion of the Principles and Practice Underlying Charges for Water, Gas, Electricity, Communication and Transportation Services* By Harry Barker, B S. New York, The McGraw-Hill Book Company, 1917